

**Vulamehlo Local Municipality Annual Financial Statements
for the year ended 30 June 2016**

Auditor General (South Africa)

Annual Financial Statements

for

Vulamehlo Municipality

for the year ended 30 June: **2016**

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

Contact Information:

Name of Municipal Manager:	Msizi Zulu
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Name of Chief Financial Officer:	George Oldman (Acting)
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Name of relevant Auditor:	Indhren Perumaul
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Vulamehlo Municipality
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General information

Members of the Council

Councillor WT Dube
Councillor NP Mpanza
Councillor DMM Hlengwa
Councillor MD Ncwane
Councillor BC Mqadi
Councillor BC Mngadi
Councillor T Muthwa
Councillor LL Kweyama
Councillor PM Dlamini
Councillor AB Ndlovu
Councillor FB Shezi
Councillor MA Ntombela
Councillor ZT Hlongwa
Councillor GZ Jwara
Councillor MC Ngcobo
Councillor TP Phetha
Councillor DP Duma
Councillor NR Dlamini
Councillor AS Mchunu
Councillor BG Myeza

Mayor

Deputy Mayor

Speaker

Member of the Executive Committee

Member of the Executive Committee

Member of the Executive Committee

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Municipal Manager

Mr Msizi H Zulu

Chief Financial Officer

Mr G. Oldman (Acting CFO)

Grading of Local Authority

Level 3

Auditors

Auditor-General (South Africa)

Bankers

Absa Bank

Standard Bank

Vulamehlo Municipality
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for the year ended 30 June 2016

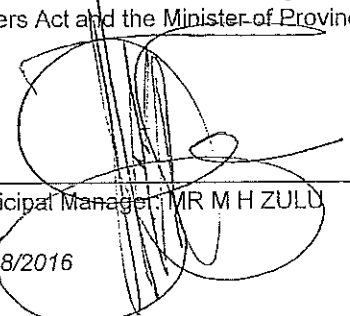
General information (continued)

Registered Office:	Dududu
Physical address:	P77 Main Road Dududu 4180
Postal address:	Private Bag X5509 Scottburgh 4180.00
Telephone number:	083-3232945
Fax number:	039-9740432
E-mail address:	<u>msizi@venturenet.co.za</u>

Vulamehlo Municipality
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Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages x to x, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 36 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager: MR M H ZULU

31/08/2016

Vulamehlo Municipality
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Vulamehlo Municipality
Statement of Financial Position
as at 30 June 2016

	Note	2016 R	Restated 2015 R
ASSETS			
Current assets		39,373,254	32,764,911
Cash and cash equivalents	2	27,024,798	30,029,033
Trade and other receivables from exchange transactions	4	2,879,200	1,456,037
Trade and other receivables from non-exchange transactions	5	2,311,610	1,279,840
Value Added Tax receivable	11	7,157,647	-
Non-current assets		148,161,604	131,057,945
Non-current receivables from exchange transactions	3	169,211	169,211
Property, plant and equipment	6	147,642,013	130,534,414
Intangible assets	7	165,380	169,319
Investment property	8	185,000	185,000
Total assets		187,534,858	163,822,856
LIABILITIES			
Current liabilities		21,134,252	14,071,044
Trade and other payables from exchange transactions	9	12,075,257	4,537,720
Consumer deposits	10	311,367	387,886
Value Added Tax payable	11	-	997,696
Current provisions	12	2,545,765	2,117,513
Current portion of unspent conditional grants and receipts	13	5,971,684	5,776,104
Current portion of finance lease liability	15	230,180	254,125
Non-current liabilities		1,165,623	1,152,882
Non-current finance lease liability	15	542,172	784,030
Non-current provisions	12	-	-
Provision for future long service bonus	38	623,451	368,852
Total liabilities		22,299,875	15,223,926
Net assets		165,234,983	148,598,930
NET ASSETS			
Revaluation Reserve		847,297	163,391
Accumulated surplus / (deficit)		164,387,686	148,435,539
Total net assets		165,234,983	148,598,930

Vulamehlo Municipality
Statement of Financial Performance
for the year ending 30 June 2016

	Note	2016 R	Restated 2015 R
REVENUE			
Revenue from exchange transactions		4,726,622	1,820,943
Service charges	17	-	-
Rental of facilities and equipment	17	282,164	195,142
Interest earned - external investments	18	2,858,060	1,523,098
Interest earned - outstanding receivables	19	885,377	-
Licences and permits		-	-
Other income from exchange transactions	21	701,020	102,702
Revenue from non-exchange transactions		114,490,943	73,706,558
Property rates	16	2,419,288	2,234,469
Government grants and subsidies	20	112,071,655	71,472,089
Public contributions and donations	21	-	-
Total revenue		119,217,565	75,527,501
EXPENDITURE			
Employee related costs	22	19,540,417	17,654,602
Remuneration of councillors	23	8,809,017	7,817,832
Bad debts		1,025,519	761,050
Depreciation and amortisation expense	24	18,231,158	11,515,639
Repairs and maintenance		7,906,239	616,207
Finance costs	25	105,949	259,046
Contracted services	26	1,096,354	692,889
Grants and subsidies paid	27	25,216,629	8,139,761
General expenses	28	21,315,330	17,694,361
Total expenditure		103,246,612	65,151,386
Gain / (loss) on sale of assets	29	(18,806)	(325,883)
(Impairment loss) / Reversal of impairment loss	30	-	-
Gain / (loss) on fair value adjustment	30	-	-
Surplus / (deficit) for the period before tax		15,952,147	10,050,232
Taxation		-	-
Surplus / (deficit) for the period		15,952,147	10,050,232

Vulamehlo Municipality
Statement of Changes in Net Assets
as at 30 June 2016

[illegible]

Vulamehlo Municipality
Cash Flow Statement
as at 30 June 2016

	Note	2016 R	Restated 2015 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		118,150,150	78,526,360
Grants		111,039,885	74,420,252
Interest received		3,743,438	1,523,098
Other receipts		3,366,828	2,583,010
		(84,679,783)	(46,513,566)
Payments			
Employee costs		(28,349,433)	(25,005,060)
Suppliers		(48,069,059)	(29,365,920)
Interest paid		(105,949)	(259,046)
Movement in VAT		(8,155,342)	8,116,460
Net cash flows from operating activities	31	33,470,367	32,012,794
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(36,186,053)	(10,754,246)
Proceeds from sale of fixed assets		(18,806)	325,883
Proceeds from sale of investments			-
Purchase of intangibles		(3,939)	(5,180)
Decrease/(Increase) in Loans and receivables			-
Movement			-
Net cash flows from investing activities		(36,208,799)	(10,433,543)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liability		(265,803)	(323,277)
Net cash flows from financing activities		(265,803)	(323,277)
Net increase / (decrease) in cash and cash equivalents		(3,004,235)	21,255,974
Net cash and cash equivalents at beginning of period		30,029,033	8,773,059
Net cash and cash equivalents at end of period	32	27,024,798	30,029,033

Vulamehlo Municipality Statement of Comparison of Budget and Actual Information as at 30 June 2016											
2,016											2,015
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Explanation of Significant Variances greater than 10% of Actual outcome to final Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome		
R	R	R	R	R	R		R	R	R		
Financial Performance											
Property rates	2,369	(135)	2,234	2,419	185		108%	102%	2,234		
Service charges	-	-	-	-	-		0%	0%	-		
Investment revenue	700	1,360	2,060	2,858	798		139%	408%	1,523		
Transfers recognised - operational	84,532	(1,857)	82,675	76,849	(5,826)		93%	91%	59,422		
Other own revenue	382	725	1,107	1,230	123		111%	322%	509		
Total Revenue (excluding capital transfers and contributions)	87,983	93	88,076	83,356	(4,720)		95%	95%	63,688		
Employee costs	20,090	(736)	19,354	18,862	(492)		97%	94%	17,655		
Remuneration of councillors	6,712	(191)	6,521	8,997	2,476		138%	134%	7,818		
Debt impairment	11,979	-	11,979	969	(11,010)		8%	8%	11,516		
Depreciation & asset impairment	144	(144)	-	106	106		0%	74%	259		
Finance charges	-	-	-	-	-		0%	0%	-		
Materials and bulk purchases	5,103	-	5,103	10,351	5,248		203%	203%	8,140		
Transfers and grants	56,037	819	56,856	30,426	(26,430)		54%	54%	19,765		
Other expenditure	100,066	(252)	99,814	69,711	(30,103)		70%	70%	65,153		
Total Expenditure	(12,083)	345	(11,738)	13,645	25,383		-116%	-113%	(1,465)		
Surplus/(Deficit)	38,560	(3,600)	34,960	35,222	262		101%	91%	12,050		
Transfers recognised - capital	-	-	-	-	-		0%	0%	-		
Contributions recognised - capital & contributed assets	-	-	-	-	-		0%	0%	-		
Surplus/(Deficit) after capital transfers & contributions	26,477	(3,255)	23,222	48,867	25,645		210%	185%	10,587		
Share of surplus/ (deficit) of associate	-	-	-	-	-		0%	0%	-		
Surplus/(Deficit) for the year	26,477	(3,255)	23,222	48,867	25,645		210%	185%	10,587		
Capital expenditure & funds sources											
Capital expenditure	38,060	(3,600)	34,460	35,222	762		102%	93%	10,755		
Transfers recognised - capital	-	-	-	-	-		0%	0%	-		
Public contributions & donations	-	-	-	-	-		0%	0%	-		
Borrowing	1,470	(566)	904	2,858	1,954		316%	194%	-		
Internally generated funds	39,530	(4,166)	35,364	38,080	2,716		108%	96%	10,755		
Total sources of capital funds	43,381	2,574	45,955	47,160	1,205		103%	109%	33,706		
Cash flows	(23,568)	11,796	(11,772)	(49,894)	(38,122)		424%	212%	(10,440)		
Net cash from (used) operating	-	(500)	(500)	(262)	238		52%	0%	(323)		
Net cash from (used) investing	-	41,807	10,091	27,025	16,934		268%	120%	31,716		
Net cash from (used) financing	22,547	41,807	10,091	27,025	16,934		268%	120%	31,716		
Cash/cash equivalents at the year end											

Vulamehlo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2016

1 ACCOUNTING POLICIES

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for the foreseeable future

Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts presented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Significant judgements and sources of estimation uncertainty for Trade receivables and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Useful lives of infrastructure and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the infrastructure and other assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Allowance for doubtful debts

On debtors an impairment loss is recognised and included in surplus and deficit when there is objective evidence of impairment. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

Government accounts are not provided for as such accounts are regarded as receivable

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered not collectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the municipality:

GRAP 18 - Segment Reporting
GRAP 20 - Related Party Disclosures

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been adopted early by the municipality:

GRAP 18 - Segment Reporting

Impact on the municipality's financial statements once implemented:

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality

1.2 PROPERTY, PLANT AND EQUIPMENT

INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

INITIAL MEASUREMENT

Items of property, plant and equipment are initially measured at cost at the acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

SUBSEQUENT EXPENDITURE

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, certain classes of property, plant and equipment are measured using the revaluation model. Application of the revaluation model results in carrying classes of property, plant and equipment at re-valued amounts. Depreciation for these classes of property, plant and equipment is adjusted proportionately for the revaluation increases and decreases upon revaluation of the items of property, plant and equipment.

Revaluation increases / decreases are recognised in the revaluation reserve within the Statement of Changes in Net Assets. Where the revaluation model is applied, it is done so consistently for the entire class of assets. The following classes of property, plant and equipment are measured using the revaluation model:

Asset Classes:

Buildings

Infrastructure

Community

Other assets

DEPRECIATION

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets, with the exception of community assets. Community assets are depreciated based on the revalued amounts over the revised life. The depreciable amount is determined after taking into account an asset's residual value, where applicable. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	10 years	Motor vehicles	3 to 5 years
		Furniture and fittings	3 to 8 years
Community		Plant and Machinery	10 years
Buildings	30 years	Office equipment	3 to 7 years
Sports Grounds	20 years	Computer equipment	3 to 5 years
Halls	30 years		
Skills Centres	30 years		
Crèches	9 years		
Market stalls	30 years		
Other assets	20 years		
Finance lease assets			
Motor vehicle	5 years		

The residual value, the useful life of an asset and the depreciation method is reviewed annually

IMPAIRMENT

Refer to accounting policy number 1.25

DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.3 INTANGIBLE ASSETS

INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the municipality has the ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

SUBSEQUENT MEASUREMENT

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in Statement of Financial Performance in the expense category consistent with the function of the intangible asset. During the period of development, the asset is tested for impairment annually.

AMORTISATION

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3-5 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

IMPAIRMENT

Refer to accounting policy number 1.16

DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.4 INVESTMENT PROPERTY

INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

SUBSEQUENT MEASUREMENT

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. The assumptions for determining the fair value of the Investment property is set out in note 13 of the Financial Statements.

Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

DERECOGNITION

Investment property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property.

All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

1.5 FINANCIAL INSTRUMENTS

INITIAL RECOGNITION

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

INITIAL MEASUREMENT

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

INVESTMENTS AT AMORTISED COSTS

Investments, which include **fixed deposits and short-term deposits invested in registered commercial banks**, are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

INVESTMENT AT FAIR VALUE

Investments, which represent investments in residual interest for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

INVESTMENT AT COST

Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account. Refer to Note 1,16

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

TRADE PAYABLES AND BORROWINGS

Trade payables are initially measured at fair value plus transaction costs that are directly

CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as current assets.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

IMPAIRMENT OF FINANCIAL ASSETS

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

IMPAIRMENT FOR FINANCIAL ASSETS HELD AT AMORTISED COST

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

IMPAIRMENT OF FINANCIAL ASSETS HELD AT COST

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

DERECOGNITION

A financial asset is derecognised only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset;
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

1.6 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.7 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.8 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.9 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating ;
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.10 BUDGET INFORMATION

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

1.11 LEASES

MUNICIPALITY AS LESSEE

RECOGNITION

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

MEASUREMENT

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

DERECOGNITION

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

MUNICIPALITY AS LESSOR

RECOGNITION

For those leases that meet the definition of a finance lease, where the entity is the lessor, the entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the entity recognises a finance lease receivable. Finance lease income is allocated to between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

MEASUREMENT

Finance lease receivables are recognised at an amount equal to the entity's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

DERECOGNITION

Finance lease receivables are derecognised when the entity's right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

1.12 REVENUE

REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

RECOGNITION

Revenue from exchange transactions is only recognised once all of the following criteria have been

a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

b) The amount of revenue can be measured reliably; and

c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

MEASUREMENT

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

EXPENDITURE FROM EXCHANGE

Expenditure arising from exchange-transactions is similar to the policy for exchange revenue.

REVENUE FROM NON-EXCHANGE TRANSACTIONS

RECOGNITION

Revenue from non-exchange transaction arises when the entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

MEASUREMENT

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

Donations and Contributions

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

EXPENDITURE RELATING TO NON-EXCHANGE TRANSACTIONS

Expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

1.13 RETIREMENT BENEFITS

SHORT TERM EMPLOYEE BENEFITS

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

1.14 POST-EMPLOYMENT BENEFITS

The entity provides post-employment benefits for its officials. **These benefits are provided as either defined contribution plans or defined benefit plans.** The entity identifies as **defined contribution plans** any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

The defined benefit asset or obligation recognised is recognised as the net difference between the value of the plan assets and plan liabilities and also taking past service cost into consideration **(further detail is available in Note 55) "Post-employment benefits"**

Plan assets included in the defined benefit plan asset or liability recognised are measured at their fair values. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of any defined benefit asset recognised is limited to the sum of any past service costs and actuarial gains and losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The plan liabilities are measured at the present value of the future benefits payable. This present value of the plan liabilities is determined through actuarial valuation techniques.

The entity operates two defined benefit pension plans, all of which require contributions to be made to separately administered funds. The cost of providing benefits under the defined benefit plans is determined separately for each plan, using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries for each plan.

Actuarial gains and losses are recognised in full in the Statement of Financial Performance in the year that they occur. The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognised immediately.

Multi-employer plans

All municipal employees belong to The Natal Joint Municipal Pension Fund (Superannuation), The Natal Joint Municipal Pension Fund (Retirement) and The KwaZulu-Natal Joint Municipal Provident Fund which are administered by the Province. The municipality classifies a multi-employer plan contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

The KwaZulu-Natal Joint Municipal Provident Fund is a defined contribution plan and the municipality accounts for it in the same way as for any other defined contribution plan.

The Natal Joint Municipal Pension Fund (Superannuation) and The Natal Joint Municipal Pension Fund (Retirement) are defined benefit plans. Sufficient information is not available to use defined benefit accounting for these plans, therefore the entity accounts for these plans as if it was a defined contribution plan.

1.15 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by *the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs completion of a physical proportion of the contract work*.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.16 IMPAIRMENT OF NON-FINANCIAL ASSETS

RECOGNITION

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount).

MEASUREMENT

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets the value in use is determined as a function of the discounted future cash flows from the asset. In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Where the asset is a non-cash generating asset the value in use is determined through **depreciated replacement cost, restoration cost approach or service units approach**. The decision to the approach to use is dependent on the nature of the identified impairment.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

REVERSAL OF IMPAIRMENT

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

IMPAIRMENT OF SPECIFIC NON-FINANCIAL ASSETS

PROPERTY, PLANT AND EQUIPMENT

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

INTANGIBLE ASSETS

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Irrespective of whether there is any indication of impairment, the municipality also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

1.17 Use of Estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.18 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued assets are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.19 Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.20 Budget Information

Municipality municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.21 Value Added Tax (VAT)

The municipality accounts for VAT on a payments basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.22 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events; where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.22 Commitments

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance, but are included in the disclosure notes. A distinction is made between capital and operating commitments.

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments. Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met.

- Contracts should relate to something other than the routine, steady, state business of the entity - therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to preform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality. Only transactions with related parties not at arm's length or not in the ordinary course of ordinary business are disclosed.

Vulamehlo Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2016

Restated

Note 2016 2015
R R

2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash on hand	(5,787)	2,750
Cash at bank	5,324,981	3,879,232
Call deposits	21,705,454	26,138,829
	<u>27,024,798</u>	<u>30,029,033</u>

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

Absa Bank: Account Number 4069991393

Cash book balance at beginning of year	2,080,749	246,009
Cash book balance at end of year	<u>2,286,828</u>	<u>2,080,749</u>
Bank statement balance at beginning of year	3,767,465	246,009
Bank statement balance at end of year	<u>2,286,828</u>	<u>3,767,465</u>

Current Account (MPRA)

Absa Bank: Account Number 4074472671

Cash book balance at beginning of year	1,806,705	408,745
Cash book balance at end of year	<u>3,038,153</u>	<u>1,806,705</u>
Bank statement balance at beginning of year	1,806,705	408,745
Bank statement balance at end of year	<u>3,038,153</u>	<u>1,806,705</u>

Call Deposits

	Bank statement balances		Cash book balances	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
ABSA Bank Limited - Scottsburch Branch: Account Number 927860312	9,411,165	11,237,624	9,411,165	11,237,624
Standard Bank Limited - Scottsburch Branch: Account Number 058771204	3,825,478	3,605,673	3,825,478	3,605,673
ABSA Bank Limited - Scottsburch Branch: Account Number 9286081784	778,631	733,066	778,631	733,066
ABSA Bank Limited - Scottsburch Branch: Account Number 929866983	3,048,859	2,878,181	3,048,859	2,878,181
ABSA Bank Limited - Scottsburch Branch: Account Number 9293870443	395,972	3,677,872	395,972	3,677,872
ABSA Bank Limited - Scottsburch Branch: Account Number 9293866975	965,525	911,474	965,525	911,474
ABSA Bank Limited - Scottsburch Branch: Account Number 9293866917	588,567	555,618	588,567	555,618
ABSA Bank Limited - Scottsburch Branch: Account Number 9299394156	294,759	278,152	294,759	278,152
ABSA Bank Limited - Scottsburch Branch: Account Number 9300480987	2,396,498	2,261,168	2,396,498	2,261,168
Cash book balance at beginning of year	<u>21,705,454</u>	<u>26,138,828</u>	<u>21,705,454</u>	<u>26,138,828</u>

Vulamehlo Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2016

Restated

Note	2016 R	2015 R
Cash book balance at end of year	21,705,454	26,138,829
Bank statement balance at beginning of year	26,138,829	8,133,005
Bank statement balance at end of year	21,705,454	26,138,829
Cash on hand	(5,637)	2,750
Total cash and cash equivalents	27,024,798	30,029,033
Total bank overdraft	-	-

3 NON-CURRENT RECEIVABLES

Included in long term receivables is the following:

- a) an amount owed by Renaissance Projects CC as a result of fraud against the municipality. The affected party was found guilty and given a suspended sentence of four years on condition that the misappropriated funds are paid back to the municipality.
b) an amount of R 40 520 owing by certain councillors from 2012 financial year end.
c) an amount of R 82 855 from employees being an incorrect overtime payment made arising in the 2011/12 financial year.

Non-current receivables

Cllr GZ Jwara	3,720	3,720
Cllr BC Mqadi	3,320	3,320
Cllr NR Dlamini	3,720	3,720
Cllr BG Myeza	3,720	3,720
Cllr KG Khanyase	3,720	3,720
Cllr AS Mchunu	3,720	3,720
Cllr BC Mngadi	3,720	3,720
Cllr TE Sibisi	3,720	3,720
Cllr T Muthwa	3,720	3,720
Cllr LL Kweyama	3,720	3,720
Cllr MC Ngcobo	3,720	3,720
Staff debts	82,855	82,855
Renaissance Projects CC	45,836	45,836
	169,211	169,211
Less : Current portion transferred to current receivables	-	-
Other non-current receivables	-	-
Total	169,211	169,211

STAFF LOANS

- a) an amount of R40 520 owing by certain councillors from the 2012 financial year end.
B) An amount of R82 855 from employees being an incorrect overtime payment made arising in the 2011/2012 financial year .

OTHER LONG TERM LOANS

- a) an amount owed by Renaissance Projects cc as a result of fraud against the municipality. The affected party was found guilty and given a suspended sentence of four years on condition that the misappropriated funds are paid back to the municipality.

Vulamehlo Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2016

Restated

	Note	2016 R	2015 R
	Gross Balances	Provision for Doubtful Debts	Net Balance
	R	R	R
4 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
<u>Trade receivables</u>			
as at 30 June 2016			
Other Receivables			
Deposits	11,897	-	11,897
Prepaid Expenses	-	-	-
Sundry Debtors	2,583,675	-	2,583,675
Staff Debtors	283,628	-	283,628
Total	2,879,200	-	2,879,200
Total Trade and other receivables	2,879,200	-	2,879,200
 as at 30 June 2015			
Other Receivables			
Deposits	11,897	-	11,897
Prepaid Expenses	-	-	-
Sundry Debtors	1,156,642	-	1,156,642
Staff Debtors	287,498	-	287,498
Total	1,456,037	-	1,456,037
Total Trade and other receivables	1,456,037	-	1,456,037

Vulamehlo Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2016

Restated

Note	2016 R	2015 R
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The fair value of trade and other receivables approximates their carrying amounts.

5 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Trade receivables - Property Rates	2,311,610	1,279,840
Other debtors	-	-
Total	2,311,610	1,279,840

Trade receivables - Property Rates

as at 30 June 2016

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
Property Rates	6,280,864	(3,969,254)	2,311,610
	6,280,864	(3,969,254)	2,311,610

as at 30 June 2015

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
Property Rates	4,223,575	(2,943,735)	1,279,840
	4,223,575	(2,943,735)	1,279,840

Property Rates: Ageing

Current (0 – 30 days)	188,136	173,851
31 - 60 Days	484,726	331,572
61 - 90 Days	243,259	152,942
91 - 120 Days	239,295	143,456
121 - 365 Days	5,125,448	3,421,755
+ 365 Days	-	-
Total	6,280,864	4,223,575

Reconciliation of the doubtful debt provision for property rates

Balance at beginning of the year	2,943,735	2,182,685
Contributions to provision	1,025,519	761,050
Balance at end of year	3,969,254	2,943,735

Vulamehlo Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2016

	Note	2016 R	Restated 2015 R
<u>Property rates past due but not impaired</u>			
Property rates which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R 967 280 (2015: R 475 496) were past due but not impaired.			
The ageing of amounts past due but not impaired is as follows:			
1 month past due		484,726	331,572
2 months past due		243,259	152,942
3 months past due		239,295	143,456
<u>Property rates impaired</u>			
As of 30 June 2016, property rates of R 6280 864(2015: R 4 223 575) were impaired and provided for.			
The amount of the provision is R 3 9 69 254 as of 30 June 2016(2015 R 2 943735).			
The ageing of these receivables is as follows:			
3 to 6 months		5,364,743	3,565,211
The fair value of property rates approximates their carrying amounts.			

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

6 PROPERTY, PLANT AND EQUIPMENT

	Leasehold Buildings	Infrastructure	Community	Other Assets	Assets under Construction	Total
L a n d R	R	R	R	R	R	R
Reconciliation of Carrying Value						
as at 1 July 2015	2,143,773	29,760,694	79,967,334	4,168,581	14,494,032	130,534,414
Cost/Revaluation	3,324,535	38,199,281	148,591,924	8,166,231	14,494,032	212,776,003
Correction of error (note 34)	142,310	-	4,752,861	430,461	-	5,325,632
Change in accounting policy	(1,323,072)	(8,438,587)	(73,377,451)	(4,428,111)	-	(87,567,221)
Accumulated depreciation and impairment losses	-	-	-	-	-	-
Acquisitions	-	-	-	1,347,219	-	1,347,219
Capital under Construction	-	-	-	-	49,319,610	49,319,610
Depreciation	(128,775)	(5,008,051)	(6,484,213)	(1,029,881)	-	(12,650,920)
Carrying value of disposals	-	-	(90,758)	(53,700)	-	(144,458)
Cost/Revaluation	-	-	(160,510)	(743,313)	-	(903,823)
Accumulated depreciation and impairment losses	-	-	69,752	689,613	-	759,365
Impairment loss/Reversal of impairment loss	-	(2,613,488)	(2,817,669)	(81,141)	-	(5,512,299)
Transfers	-	3,038,449	4,023,770	-	(7,062,218)	-
Other movements*	-	-	-	683,906	-	683,906
as at 30 June 2016	2,014,998	25,177,603	74,598,464	5,201,118	40,649,830	147,642,013
Cost/Revaluation	3,582,693	41,237,731	151,698,020	9,421,792	40,649,830	246,590,066
Accumulated depreciation and impairment losses	(1,567,695)	(16,060,127)	(77,099,556)	(4,220,674)	-	(98,948,053)

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

6 Reconciliation of Carrying Value	L a n d R	Leasehold Buildings		Infrastructure		Community		Other Assets		Assets under Construction		Total	
		R	R	R	R	R	R	R	R	R	R	R	R
as at 1 July 2014		2,144,497	32,811,319	75,517,357	3,616,846	12,025,450	126,115,469						
Cost/Revaluation		3,324,535	38,026,244	141,653,259	8,220,358	12,025,450	203,249,846						
Correction of error (note 48)													
Change in accounting policy (note 47)													
Accumulated depreciation and impairment losses		(1,180,038)	(5,214,925)	(66,135,902)	(4,603,512)	-	(77,134,377)						
Acquisitions		-	173,037	-	1,174,431	9,407,247	10,754,715						
Capital under Construction		-	-	-	-	-	-						
Depreciation		(143,034)	(3,223,662)	(7,241,549)	(867,868)	-	(11,476,113)						
Carrying value of disposals		-	-	-	(185,289)	-	(185,289)						
Cost/Revaluation		-	-	-	(1,228,558)	-	(1,228,558)						
Accumulated depreciation and impairment losses		-	-	-	1,043,269	-	1,043,269						
Impairment loss/Reversal of impairment loss		-	-	-	-	-	-						
Transfers		-	-	6,938,665	-	(6,938,665)	-						
*Other movements		-	-	-	-	-	-						
as at 30 June 2015		2,001,463	29,760,694	75,214,473	3,738,120	14,494,032	125,208,782						
Cost/Revaluation		3,324,535	38,199,281	148,591,924	8,166,231	14,494,032	212,776,003						
Accumulated depreciation and impairment losses		(1,323,072)	(8,438,587)	(73,377,451)	(4,428,111)	-	(87,567,221)						

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

6 Property, plant and equipment pledged as security	Note	2016 R	2015 R
Asset 1			
Terms and conditions			
Finance lease agreements are secured by motor vehicles with ABSA Bank Limited		352,549	388,010
Asset 2			
Terms and conditions			
Finance lease agreements are secured by a Grader and Tractor loader backh		465,126	558,333

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Restated

	Note	2016 R	2015 R
7 INTANGIBLE ASSETS			
7 Reconciliation of carrying value			
	Computer Software R	Other* R	Total R
as at 1 July 2015	169,319	-	169,319
Cost	2,388,603	-	2,388,603
Correction of error (note 48)	-	-	-
Change in accounting policy (note 47)	-	-	-
Accumulated amortisation and impairment losses	(2,219,284)	-	(2,219,284)
Acquisitions	64,000	-	64,000
Amortisation	(67,939)	-	(67,939)
Carrying value of disposals	-	-	-
Cost	841	-	841
Accumulated amortisation	(841)	-	(841)
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2016	165,380	-	165,380
Cost	2,451,762	-	2,451,762
Accumulated amortisation and impairment losses	(2,286,382)	-	(2,286,382)

*Note: "Other" consists of....., none of which are considered to be individually significant or material.

7 Reconciliation of carrying value	Computer Software R	Other* R	Total R
as at 1 July 2014	46,850	-	46,850
Cost	2,413,711	-	2,413,711
Correction of error (note 46)	-	-	-
Change in accounting policy (note 47)	-	-	-
Accumulated amortisation and impairment losses	(2,366,861)	-	(2,366,861)
Acquisitions	5,180	-	5,180
Amortisation	(39,525)	-	(39,525)
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2015	169,319	-	169,319
Cost	2,388,603	-	2,388,603
Accumulated amortisation and impairment losses	(2,219,284)	-	(2,219,284)

8 INVESTMENT PROPERTY

8 Reconciliation of carrying value	Investment property X R	Investment property Y R	Total R
as at 1 July 2015	185,000	-	185,000
Cost	185,000	-	185,000
Correction of error (note 48)	-	-	-
Change in accounting policy (note 47)	-	-	-
Accumulated depreciation and impairment losses	-	-	-
Acquisitions	-	-	-
Depreciation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Restated

	Note	2016 R	2015 R
as at 30 June 2016	185,000	-	185,000
Cost	185,000	-	185,000
Accumulated depreciation and impairment losses	-	-	-
8 Reconciliation of carrying value			
	Investment property R	Investment property R	Total R
as at 1 July 2014	185,000	-	185,000
Cost	185,000	-	185,000
Correction of error (note 48)			-
Change in accounting policy (note 47)			-
Accumulated depreciation and impairment losses			-
Acquisitions	-	-	-
Depreciation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2015	185,000	-	185,000
Cost	185,000	-	185,000
Accumulated depreciation and impairment losses	-	-	-

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Restated

	Note	2016 R	2015 R
Investment property pledged as security		-	-
Fair value of investment property :			
<p>The effective date of the revaluations was 30 June 2015. Revaluations were performed by an independent valuer, Alan Robert Stephenson of Mills Fitchet (Pty) Ltd. He is registered as a Professional Valuer in terms of section 20(2)(a) read with section 43(8) of the Property Valuers Professional Act, 2000. Alan Robert Stephenson is not connected to the municipality and have recent experience in location and category of the investment property being valued. The valuation was based on open market value for existing use. These assumptions are based on current market conditions.</p>			
8 Details of property:			
Investment property			
<p>The Municipality has classified the Post office as investment property. The property is situated at Vulamehlo Ward No 6 and measures approximately 80 square metres. The municipality uses the fair value model to value its investment properties. A fair value assessment was undertaken by Mills Fitchet. The valuation methodology applied is the market value.</p>			
8 Rental income from investment property		36,960	33,721
Direct operating expenses from rental generating property			

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Restated

Note	2016 R	2015 R
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Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Restated

	Note	2016 R	2015 R
9 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		1,640,248	969,504
Retentions		1,251,794	1,251,794
Accruals		8,610,307	2,166,291
Other creditors		572,908	150,132
Total		12,075,257	4,537,720
The fair value of trade and other payables approximates their carrying amounts.			
10 CONSUMER DEPOSITS			
Unallocated Deposits		311,367	387,886
Total consumer deposits		311,367	387,886
11 VAT PAYABLE			
VAT payable		-7,172,117	988,692
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			
11 VAT RECEIVABLE			
VAT receivable		-14,470	-9,004
Vat Receivable / (Payable)		7,157,647	-997,696
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016 Restated

	Note	2016 R	2015 R
12 PROVISIONS			
12 CURRENT PROVISIONS			
Performance bonus		-	-
Current portion of long-service provision		-	-
Provision for leave		1,454,765	1,481,683
Annual bonus		1,091,000	655,850
Total		2,545,765	2,117,513
Performance bonuses are paid one year in arrears as the assessment of eligible employees had not taken place at the reporting date.			
The movement in the non-current provision is reconciled as follows: -			
Provision for long-service awards:			
Balance at the beginning of year		368,852	465,804
Contributions to provision		254,599	-96,952
Balance at the end of year		623,451	368,852
13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
Expanded Public Works Programme Grant (EPWP)		223,874	420,079
Municipal Infrastructure Grant (MIG)		753,275	3,949,583
Municipal Systems Improvement Grant (MSIG)		665,732	-
Other Government Grants And Subsidies		4,328,804	1,406,461
Total Unspent Conditional Grants and Receipts		5,971,684	5,776,104
Non-current unspent conditional grants and receipts		-	-
Current portion of unspent conditional grants and receipts		5,971,684	5,776,104
See Note 31 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.			
13 Expanded Public Works Programme Grant (EPWP)			
Balance unspent at beginning of year		420,079	-
Current year receipts		1,000,000	1,000,000
Conditions met - transferred to revenue		(1,196,205)	-579,921
Conditions still to be met - remain liabilities (see note 21)		223,874	420,079
13 Financial Management Grant (FMG)			
Balance unspent at beginning of year		-	-
Current year receipts		1,875,000	1,800,000
Conditions met - transferred to revenue		(1,875,000)	-1,800,000
Conditions still to be met - remain liabilities (see note 21)		-	-
13 Municipal Infrastructure Grant (MIG)			
Balance unspent at beginning of year		3,949,583	-
Current year receipts		15,000,000	16,000,000
Conditions met - transferred to revenue		(18,196,388)	-12,050,437
Conditions still to be met - remain liabilities (see note 21)		753,175	3,949,583
13 Municipal Systems Improvement Grant (MSIG)			
Balance unspent at beginning of year		-	-
Current year receipts		930,000	934,000
Conditions met - transferred to revenue		(258,924)	-934,000
Conditions still to be met - remain liabilities (see note 21)		671,076	-
		665,732	-
		5,344	-
14 Other Government Grants And Subsidies			
Balance unspent at beginning of year		1,406,461	3,095,832
Current year receipts		36,009,579	5,761,360
Conditions met - transferred to revenue		(33,087,137)	-7,450,731
Conditions still to be met - remain liabilities (see note 21)		4,328,903	1,406,461
15 FINANCE LEASE LIABILITY			
2016			
Amounts payable under finance leases	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year	318,775	88,595	230,180
Within two to five years	608,820	66,648	542,172
	927,595	155,243	772,352
Less: Amount due for settlement within 12 months (current portion)			-230,180
			542,172

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Restated

Instalment sale agreements are secured by plant with carrying value of R 465126 repayable in monthly instalments of R16 436.43 and bears interest of between 10% and 15%.

Instalment sale agreements are secured by motor vehicles with carrying value of R352549 repayable in monthly instalments of R15 237.80 and bears interest of between 9% and 15%.

2015

Amounts payable under finance leases

Within one year
 Within two to five years

Less: Amount due for settlement within 12 months (current portion)

Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
346,021	91,896	254,125
975,803	191,773	784,030
<u>1,321,824</u>	<u>283,669</u>	<u>1,038,155</u>
		<u>-254,125</u>
		<u>784,030</u>

Instalment sale agreements are secured by motor vehicles with carrying value of R388 010.16, repayable in monthly instalments of R15 237.80 and bears interest of between 9% and 15%.

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Restated

	Note	2016 R	2015 R
16 PROPERTY RATES			
<u>Actual</u>			
Residential		1,777,394	1,658,524
Other		-	-
State Owned		641,894	575,945
Total property rates		2,419,288	2,234,469
Property rates - penalties imposed and collection charges		-	-
Total		2,419,288	2,234,469
<u>Valuations</u>			
Residential		671,894,000	671,882,000
Other		2,929,000	2,929,000
State Owned		237,922,000	237,737,000
Total Property Valuations		912,745,000	912,548,000
Valuations on land and buildings are performed every five years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.			
17 RENTAL OF FACILITIES AND EQUIPMENT			
Rental of facilities		282,164	195,142
Total rentals		282,164	195,142
18 INTEREST EARNED - EXTERNAL INVESTMENTS			
Bank		2,858,060	1,523,098
Total Interest		2,858,060	1,523,098
19 INTEREST EARNED - OUTSTANDING RECEIVABLES			
Property Rates		871,807	-
Rentals		19,889	-
Total interest		885,377	-
20 GOVERNMENT GRANTS AND SUBSIDIES			
Equitable Share		57,458,000	48,657,000
Expanded Public Works Programme Grant (EPWP)		1,196,205	579,921
Financial Management Grant (FMG)		1,875,000	1,800,000
Municipal Infrastructure Grant (MIG)		18,196,388	12,050,437
Municipal Systems Improvement Grant (MSIG)		258,924	934,000
Other Government Grants And Subsidies		33,087,137	7,450,731
Total Government Grant and Subsidies		112,071,655	71,472,089
20 Equitable Share		57,458,000	48,657,000
21 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS			
21 Other income			
Other income		701,020	102,702
Donations		-	-
Total Other Income		701,020	102,702
22 EMPLOYEE RELATED COSTS			
Employee related costs - Salaries and Wages		15,161,711	12,620,075
Employee related costs - Contributions for UIF, pensions and medical aids		2,530,143	2,238,105
Travel, motor car, accommodation, subsistence and other allowances		-	-
Housing benefits and allowances		1,176,697	1,184,423
Overtime payments		123,157	206,766
Performance and other bonuses		231,219	871,199
Long-service awards		-	-
Other employee related costs		317,490	534,033
Total		19,540,417	17,654,602
There were no advances to employees / Loans to employees are set out in note 3.			
Remuneration of the Municipal Manager			
Annual Remuneration		687,620	693,688
Performance- and other bonuses		-	-
Backpay		11,757	-
Travel, motor car, accommodation, subsistence and other allowances		138,927	126,897
Contributions to UIF, Medical and Pension Funds		96,708	149,549
Total		945,012	969,934
Remuneration of the Chief Finance Officer			
Annual Remuneration		638,449	821,560
Performance- and other bonuses		-	-
Backpay		10,102	-

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Restated

	Note	2016 R	2015 R
leave pay		79,777	-
Travel, motor car, accommodation, subsistence and other allowances		1,228	14,378
Contributions to UIF, Medical and Pension Funds		1,785	10,140
Total		931,340	846,078

		Technical Services R	Corporate Services R
2016			
Annual Remuneration		626,311	711,863
Performance- and other bonuses			
Backpay		10,102	9,541
Travel, motor car, accommodation, subsistence and other allowances		18,363	98,048
Contributions to UIF, Medical and Pension Funds		22,618	1,785
Total		677,395	821,236

		Technical Services R	Corporate Services R
2015			
Annual Remuneration		579,914	626,084
Travel, motor car, accommodation, subsistence and other allowances		265,440	162,484
Contributions to UIF, Medical and Pension Funds		9,885	9,582
Total		855,239	797,150

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Restated

	Note	2016 R	2015 R
23 REMUNERATION OF COUNCILLORS			
Executive Mayor		778,066	654,923
Deputy Executive Mayor		710,922	549,260
Speaker		884,104	549,280
Executive Committee Members		1,193,411	967,584
Councillors		5,242,514	5,096,805
Total Councillors' Remuneration		<u>8,809,017</u>	<u>7,817,832</u>
In-kind Benefits			
The Executive Mayor, Speaker and Executive Committee Members are full-time. The Executive Mayor and the Speaker are provided with an office and secretarial support at the cost of the Council. The Executive Mayor is also allocated a driver to help with his day to day activities.			
The Executive Mayor has use of the Council owned vehicle for official duties. The Executive Mayor did not have bodyguards during the financial year.			
24 DEPRECIATION AND AMORTISATION EXPENSE			
Property, plant and equipment		18,163,219	11,476,113
Intangible assets		67,939	39,525
Total Depreciation and Amortisation		<u>18,231,158</u>	<u>11,515,639</u>
25 FINANCE COSTS			
Borrowings		99,490	112,923
Other		6,459	146,123
Total Finance Costs		<u>105,949</u>	<u>259,046</u>
26 CONTRACTED SERVICES			
Contracted services for:			
Operating Leases		872,916	648,947
Internet services		223,439	43,942
		<u>1,096,354</u>	<u>692,889</u>
27 GRANTS AND SUBSIDIES PAID			
Grant/subsidy		25,216,629	8,139,761
		<u>25,216,629</u>	<u>8,139,761</u>

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Restated

	Note	2016 R	2015 R
28 GENERAL EXPENSES			
Included in general expenses are the following:-			
Advertising		141,781	238,579
Audit fees		1,938,557	1,381,265
Bank charges		28,362	117,481
Cleaning		73,328	67,715
Projects		11,792,414	8,475,525
Entertainment		149,587	205,950
Insurance		471,562	352,196
Licence fees - computers		152,158	135,530
Electricity		199,026	207,860
Printing and stationery		261,751	295,963
Professional fees		742,248	1,079,470
Security costs		298,380	325,126
Subscription & publication		1,033,360	504,334
Telephone cost		284,220	545,500
Training		783,832	214,598
Motor vehicles expenses		863,415	739,299
Travel and subsistence		1,181,577	1,247,069
Uniforms & overalls		29,985	3,500
Water and Sanitation		59,094	77,958
Other Expenses		829,675	1,481,441
		21,315,330	17,694,361

The amounts disclosed above for Other Expenses are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

The amounts disclosed for Projects include the following projects:

- Free Basic Electricity
- Free Basic Services
- Cemetery and burial assistance
- Disabled
- Education Fund
- Gender Forum
- HIV/Aids
- LED Pilot business plan
- Public participation ward committee
- Senior Citizen
- Tourism
- Youth
- Ward Committee Incentives
- Biometric Access Control
- PMU Technical
- VAT Reviewal
- Operational cost for Grader

29 GAIN / (LOSS) ON SALE OF ASSETS

Property, plant and equipment	-18,806	-325,883
Total Gain / (Loss) on Sale of Assets	<u>-18,806</u>	<u>-325,883</u>

30 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT

Other financial assets	683,905	-
Total Profit / (Loss) on Fair Value Adjustment	<u>683,905</u>	<u>-</u>

31 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	15,952,147	10,050,232
Adjustment for:-		
Depreciation and amortisation	18,231,158	11,515,839
(Gain) / loss on sale of assets	18,806	325,883
Contribution to provisions - non-current	-254,599	-96,952
Contribution to provisions - current	-428,252	564,325
Finance costs	105,949	-
Fair value adjustments	-	-
Impairment loss / (reversal of impairment loss)	-	-
Bad debts	1,025,519	-
Other non-cash item	-	-
Operating surplus before working capital changes:	<u>34,650,728</u>	<u>22,359,127</u>
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade receivables	-1,423,163	-967,291
(Increase)/decrease in other receivables	-1,031,769	53,644
(Increase)/decrease in VAT receivable	-8,161,538	-
Increase/(decrease) in conditional grants and receipts	195,580	2,662,853
Increase/(decrease) in trade payables	9,547,700	699,074
Increase/(decrease) in consumer deposits	-76,520	-
Increase/(decrease) in VAT payable	-	8,122,653
Other asset	-	-
Finance lease obligation	-230,654	-916,266

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Restated

	Note	2016 R	2015 R
Cash generated by/(utilised in) operations		<u>33,470,367</u>	<u>32,012,794</u>

32 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	27,024,798	30,029,033
Bank overdrafts	-	-
Net cash and cash equivalents (net of bank overdrafts)	<u>27,024,798</u>	<u>30,029,033</u>

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

	Restated
Note	2015
2016	R
R	R

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	Note	2016 R	2015 R
33 CORRECTION OF ERROR			
During the year ended 30 June 2016 and previous years, PPE and other assets were incorrectly recognised: -			
The comparative amount has been restated as follows:			
Rental of facilities and equipment			-76,122
Loss on sale of assets			-460,753
Depreciation			
Net effect on surplus/(deficit) for the year			<u>-536,875</u>
Cash and cash equivalents			8,222
PPE			5,325,632
PPE-Loss on sale of assets			460,753
Intangible assets			156,814
Consumer deposits			86,779
Accrued rentals			-50,933
VAT receivable previously recognised			-10,657
VAT payable previously recognised			6,254
Trade and other payables from exchange transactions			-8,222
Net effect on Statement of Financial Position			<u>5,974,642</u>
Net effect on Accumulated surplus opening balance			<u>5,974,642</u>
Cashflow statement			
During the year ended 30 June 2015 and previous years, The following Cashflow movements were incorrectly recognised: -			
Cashflow from operating activities			
Payments			
Suppliers			-8,222
Movement in VAT			6,193
Cashflow from investing activities			
Proceeds from sale of fixed assets			5,724
Disclosure			
During the year ended 30 June 2015 and previous years the following were changes in commitments incorrectly recognised :			
Commitments in respect of capital commitments			
Property plant and equipment			11,314,963
Operating commitments			3,612,595
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE			
34 DISALLOWED			
34 Fruitless and wasteful expenditure			
Reconciliation of fruitless and wasteful expenditure			
Opening balance -		312,569	160,976
Fruitless and wasteful expenditure current year		5,286	151,613
Condoned or written off by Council			-
To be recovered – contingent asset (see note 55)			-
Fruitless and wasteful expenditure awaiting condonement		<u>317,875</u>	<u>312,589</u>
Incident	Action Taken		
Interest and penalties on overdue accounts		5,286	146,123
Payment made for annual maintenance of equipment not utilised		-	5,490
34 Irregular expenditure			
Reconciliation of irregular expenditure			
Opening balance		51,719,318	46,613,390
Irregular expenditure current year		23,700,672	5,105,928
Irregular expenditure awaiting condonement		<u>75,419,990</u>	<u>51,719,318</u>
Incident	Action Taken		
Payment made for the provision of water service in contravention of Section 41(f) and (g) of the Constitution of South Africa. The provision of water services is a function of the district municipality. Also, purchase not in accordance with the SCM Policy	To be investigated by MPAC and to be reported to National Treasury	-	3,956,097
Purchases not in accordance with the SCM Policy	To be investigated by MPAC and to be reported to National	4,767,206	1,149,831

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Restated

	Note	2016 R	2015 R
Awarding of tenders not in accordance with SCM policy	To be investigated by MPAC and to be reported to National Treasury	18,933,466	-

Six contracts to the value of R15 707 704 were procured using Section 32 of the municipal supply chain management regulations and at year end R7 287 320 had been expended on these contracts

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Restated

	Note	2016 R	2015 R
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE			
35 MANAGEMENT ACT			
35 Contributions to organised local government			
Opening balance			-
Council subscriptions		1,032,000	504,334
Amount paid - current		-1,032,000	-504,334
Balance unpaid (included in payables)		-	-
35 Audit fees			
Opening balance			-
Current year audit fee		1,536,962	1,220,713
Amount paid - current year		-1,532,412	-1,220,713
Balance unpaid (included in payables)		4,550	-
The balance unpaid represents the audit fee for an interim audit conducted during May and June 2016 and is payable by 31 July 2016.			
35 VAT			
VAT input receivables and VAT output payables are shown in note 18. All VAT returns have been submitted by the due date throughout the year.			
35 PAYE and UIF			
Opening balance			-
Current year payroll deductions		4,732,749	4,152,393
Amount paid - current year		-4,389,828	-4,152,393
Balance unpaid (included in payables)		342,921	-
The balance represents PAYE and UIF deducted from the June 2016 payroll. These amounts were paid during July 2016.			
35 Pension and Medical Aid Deductions			
Opening balance		87,523	-
Current year payroll deductions and Council Contributions		2,202,357	3,892,060
Amount paid - current year		-2,191,743	-3,804,537
Balance unpaid (included in payables)		98,137	87,523
The balance represents pension and medical aid contributions deducted from employees in the June 2016 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2016.			

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016 Restated

Note	2016 R	2015 R
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36 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

Paragraph 36 of Government gazette No. 27636 issued on 30 May 2005 states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Goods and services amounting to R2,013,312 (2015: R1,517,024) procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. These deviations have been reported to Council.

37 CAPITAL COMMITMENTS

37 Commitments in respect of capital expenditure

- Approved and contracted for	19,908,468	15,589,245
Property, plant and equipment	<u>19,908,468</u>	<u>15,589,245</u>
- Approved but not yet contracted for	-	25,178,281
Property, plant and equipment	<u>-</u>	<u>25,178,281</u>
Total	<u><u>19,908,468</u></u>	<u><u>40,767,526</u></u>
This expenditure will be financed from:		
- Government Grants	19,908,468	40,767,526
- Own resources	<u>19,908,468</u>	<u>40,767,526</u>
Operating Commitments		
These commitments relates to various contracts of expenditure	3,302,064	7,235,915
Purchase Orders	589,737	-
Total	<u><u>3,891,801</u></u>	<u><u>7,235,915</u></u>

37 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Within one year	643,631	901,524
In the second to fifth year inclusive	138,065	690,327
After five years		
Total	<u><u>781,696</u></u>	<u><u>1,591,851</u></u>

Operating Leases consists of the following:

1. Operating lease payments represent rentals payable by the municipality for six vehicles negotiated for 3 years, payable monthly, for the rental of vehicles. No contingent rent is payable.
2. Operating lease payments represent rentals payable by the municipality for two printers negotiated for 1 year.
3. Operating lease consist of a telephonic system negotiated for 2 years for a fixed subscription fee.

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Restated

	Note	2016 R	2015 R
38 Provision for future long service bonus			
38 Defined contribution plan			
Provision for long service bonus awards		623,451	368,852
Total contributions expensed to the Statement of Financial Performance		623,451	368,852
Statement of Financial Performance			
Provision for long service bonus awards		254,599	-96,925
Total		254,599	-96,925

Actuarial losses recognised in the statement changes in net assets for the period (before tax)

164,401

The following are defined benefit plans:

The long-service award is payable after every 5 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover.

The municipality offers employees long service bonus awards upon attaining the required years of service.

The most recent actuarial valuation of the long service bonus awards liability at 30 June 2016 was performed by TG Mhonde, a Senior Actuarial Consultant and CJ Maroba, a Fellow of the Faculty of Actuaries, from One Pangea Financial.

The liability accrued is the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date. In determining these liabilities, due allowance has been made for future award increases. For each employee this projection is based on the probability of being employed at each service award date, taking into account the assumed rates of withdrawal, early retirement and death.

The Projected Unit Credit method of funding has been applied.

The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Thus, some of the entities defined benefit plans are not treated as defined benefit plans as defined by GRAP 25, but are rather accounted for as defined contribution plans. These are listed under the defined contribution plan heading as a GRAP 25 Exception

All municipal employees belong to The Natal Joint Municipal Pension Fund (Superannuation), The Natal Joint Municipal Pension Fund (Retirement) and The KwaZulu-Natal Joint Municipal Provident Fund which are administered by the Province. The municipality classifies a multi-employer plan contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

The KwaZulu-Natal Joint Municipal Provident Fund is a defined contribution plan and the municipality accounts for it in the same way as for any other defined contribution plan.

The Natal Joint Municipal Pension Fund (Superannuation) and The Natal Joint Municipal Pension Fund (Retirement) are defined benefit plans. Sufficient information is not available to use defined benefit accounting for these plans, therefore the entity accounts for these plans as if it was a defined contribution plan.

Changes in the present value of the defined benefit obligation are as follows:

Opening Balance	368,852	465,804
Current service costs	58,882	113,828
Interest costs	31,316	-
Actuarial losses/(gains)	164,401	-198,583
Settlements		12,197
Closing Balance	623,451	368,852
Expenses and income recognised in surplus for the period		
Current service costs	58,882	113,828
Interest costs	31,316	-
Actuarial gains and losses	164,401	-198,583
Settlements		-12,197
	254,599	-96,952
Principal actuarial assumptions:		
Discount rate	9.10%	0
CPI	6.73%	0
Expected rates of salary increase	7.72%	0
Net Discount Rate	1.28%	0
Mortality	SA85-90	SA85-90

39 CONTINGENT LIABILITY

There is a pending dispute which employees have raised and has been referred to The South African Local Bargaining Council. The disputed amount is R881 618.

881,618

881,618

There are disciplinary matters against staff currently underway. The matters are not finalised at year end and the financial impact cannot be determined.

Due to a vat query raised by KPMG in October 2015 with regards to Ugu District Municipality, Ugu – South Coast Tourism lodged a VAT Ruling request with SARS, regarding whether the grant funding received from the municipalities should be raised including vat or at the zero rate, which has been the case since the inception of the entity in 2009. This matter has not been finalised at year end

225,834

225,834

40 CONTINGENT ASSET

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Restated

	Note	2016 R	2015 R
Due to a vat query raised by KPMG in October 2015 with regards to Ugu District Municipality, Ugu – South Coast Tourism logged a VAT Ruling request with SARS, regarding whether the grant funding received from the municipalities should be raised including vat or at the zero rate, which has been the case since the inception of the entity in 2009. This matter has not been finalised at year end		225,834	225,834

41 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance

Description

Department of sports and recreation:Gym equipment to the value of R 654 175

42 RELATED PARTIES

Loans key Members of key management-Conciliors

Compensation to councillors and other key management (refer to note 23 & 24)

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016 Restated

Note	2016 R	2015 R
Any payment made to key management personnel and councillors is disclosed in note 23 and note 24 (Employee related cost and Remuneration of councillors).		
Loans key management and close member of family - interest free	Opening balance	Closing balance
	3720.00	3720.00
Cllr Jwara GZ	3320.00	3320.00
Cllr Mqad BC	3720.00	3720.00
Cllr Dlamini NR	3720.00	3720.00
Cllr Myeza BG	3720.00	3720.00
Cllr Khanyase KG (deceased)	3720.00	3720.00
Cllr Mchunu AS	3720.00	3720.00
Cllr Mngadi BC	3720.00	3720.00
Cllr Sibisi TE (deceased)	3720.00	3720.00
Cllr Muthwa T	3720.00	3720.00
Cllr Kweyama LL	3720.00	3720.00

43 EVENTS AFTER THE REPORTING DATE

The Municipality was affected by the re-determination of boundaries in terms of section 21 of the local government: Municipal Demarcation Act, 1998 (Act No 27 of 1998) on 24 December 2015. The member of the KwaZulu-Natal executive council (MEC) responsible for the local government promulgated government Gazette No 1594, Notice in terms of section 14(5) of the local government Municipal structures Act, 1998 Transitional Measures to facilitate integrated Development Planning, approval of budgets, preparation of financial statements, levying of rates and acting appointments in municipalities affected by the aforementioned re-determination.

"In terms of this notice, New Municipalities will be established and the former municipalities will be disestablished from the date the municipal elections"

Accordingly, from the date of the declaration of results of the elections by the electoral commission established in terms of section 3 of the electoral commission Act, 1996 (Act No 51 Of 1996) Vulamehlo municipality is to be disestablished and its area of jurisdiction, Assets and liabilities, contracts, revenue and expenditure at carrying value in terms of a split model S12 notice 2000 and incorporated into the Ethekwini Metropolitan municipality and the Umdoni Local Municipality.

44 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment
Recoverable amounts of property, plant and equipment
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
Present value of defined benefit obligation
Fair value of plan assets
Provision for doubtful debts
Impairment of assets
Provision for long-term service award
Other

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets
Provisions
Other

45 RISK MANAGEMENT

45.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Bank accounts	27,024,798	31,715,749
Trade receivables from non exchange transactions	2,311,610	1,279,840
Receivables from exchange transactions	2,879,200	1,456,045
Non-current receivables	169,211	169,211

These balances represent the maximum exposure to credit risk.

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016 Restated

Note	2016 R	2015 R
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47.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

47.3 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Vulamehlo Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	Restated
Note	2015
2016	R

Vulamehlo Municipality

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2016

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2015	Received during the period	Redeemed / written off during the period	Balance at 30 June 2016	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
Lease Liability								
Toyota Fortuner	86721266	30/03/2020	433,989	-	69,792	364,197	352,549	-
Isuzu	80570487	01/01/2016	37,794	-	37,794	-	-	-
TLB	84711310	30/11/2018	566,372	-	158,218	408,154	465,126	-
Total long-term loans			1,038,155	-	265,804	772,351	817,675	-
TOTAL EXTERNAL LOANS								

Vulamehlo Municipality

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

as at 30 June 2016

	Cost / Revaluation				Accumulated Depreciation and Accumulated Impairment					Transfers R'000	Other movements R'000	Carrying Value R'000
	Opening Balance R'000	Additions R'000	Disposals R'000	Under Construction R'000	Closing Balance R'000	Opening Balance R'000	Depreciation R'000	Disposals R'000	Impairment loss/Reversal of impairment loss R'000	Closing Balance R'000		
Land												
Land	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	3,582,693	-	-	-	3,582,393	-1,438,919	-128,775	-	-	-1,567,685	-	2,014,998
Infrastructure												
Drains	-	-	-	-	-	-	-	-	-	-	-	-
Roads and Storm Water	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage Mains & Purification	38,199,282	3,038,449	-	-	41,237,730	-8,438,588	-5,008,051	-	-2,613,488	-16,060,128	-	25,177,603
Electricity Mains	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-
Under construction	14,484,032	49,319,610	-7,062,219	-	56,755,423	-	-	-	-	-	-	56,755,423
	52,683,314	52,358,068	-7,062,219	-	97,989,153	-8,438,588	-5,008,051	-	-2,613,488	-16,060,128	-	81,929,025
Community Assets												
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-
Dwellings	380,907	-	-	-	380,907	-41,242	-16,906	-	-	-60,149	-	320,759
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	147,453,853	4,023,770	-160,510	-	151,317,112	-67,826,183	-6,465,306	69,752	-2,817,569	-77,039,407	-	74,277,705
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-
	147,834,760	4,023,770	-160,510	-	151,698,020	-87,867,426	-6,484,213	69,752	-2,817,569	-77,039,556	-	74,598,464
Total carried forward	204,110,767	56,381,828	-7,222,729	-	253,269,866	-77,744,933	-11,621,040	69,752	-5,431,158	-94,727,378	-	158,542,487

Vulamehlo Municipality

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

for the year ended 30 June 2018

	Cost / Revaluation				Accumulated Depreciation						Transfers R'000	Other movements R'000	Carrying Value R'000
	Opening Balance R'000	Additions R'000	Disposals R'000	Under Construction R'000	Closing Balance R'000	Opening Balance R'000	Depreciation R'000	Disposals R'000	Impairment loss/Reversal of impairment loss R'000	Closing Balance R'000			
Total brought forward	204,110,767	56,381,828	-7,222,729	-	253,269,866	-77,744,933	-11,621,040	69,752	-5,431,158	-84,727,378	-	-	158,542,487
Other Assets													
Office Equipment	1,589,269	395,447	-263,158	-	1,702,558	-	-	234,660	-	-	-	-	-
Furniture & Fittings	4,306,962	722,237	-182,740	-	4,846,459	-1,010,294	-147,885	182,738	-6,167	-929,686	-	-	772,873
Plant & Machinery	-	-	-	-	-	-1,731,555	-489,300	-	-11,522	-2,049,639	-	-	2,798,619
Emergency Equipment	741,286	-	-	-	741,286	-295,416	-74,614	-	-	-370,030	-	-	371,256
Motor vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	1,347,905	912,441	-287,415	-	1,962,931	-761,576	-318,081	272,216	-63,452	-870,894	-	-	1,082,037
Computer Software (part of computer equipment)	2,388,603	64,000	-841	-	2,451,762	-2,219,284	-87,939	841	-	-2,286,382	-	-	165,380
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance Lease Assets													
Office Equipment	-	2,095,125	-744,154	-	11,706,996	-6,018,125	-1,097,820	690,454	-81,141	-6,506,632	-	-	5,200,364
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	214,466,791	58,476,953	-7,966,083	-	264,976,661	-83,763,058	-12,718,860	760,206	-5,512,298	-101,234,010	-	-	163,742,651

Vulamehlo Municipality

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

for the year ended 30 June 2015

	Cost / Revaluation					Accumulated Depreciation and Accumulated Impairment							
	for the year ended 30 June 2015												
	Opening Balance R'000	Additions R'000	Disposals R'000	Under Construction R'000	Closing Balance R'000	Opening Balance R'000	Depreciation R'000	Disposals R'000	Impairment loss/Reversal of impairment loss R'000	Closing Balance R'000	Transfers R'000	Other movements R'000	Carrying Value R'000
Land													
Land	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	3,582,693	-	-	-	3,582,393	-1,295,885	-143,034	-	-	-1,438,919	-	-	2,143,773
Infrastructure													
Drains	38,026,244	173,038	-	-	38,199,282	-5,214,925	-3,223,663	-	-	-8,438,588	-	-	29,760,694
Roads and Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Mains	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	12,025,450	9,407,247	-	-	21,432,697	-	-	-	-	-	-8,938,665	-	14,494,032
Under construction	50,051,694	9,580,285	-	-	59,631,979	-5,214,925	-3,223,663	-	-	-8,438,588	-6,938,665	-	44,254,726
Community Assets													
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-	-
Dwellings	380,907	-	-	-	380,907	-	-	-	-	-41,242	-	-	339,665
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	141,653,259	12,448,690	-6,648,096	-	147,453,853	-66,135,902	-7,998,712	6,308,431	-	-67,826,183	-	-	79,627,669
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	142,034,166	12,448,690	-6,648,096	-	147,834,760	-66,135,902	-7,998,712	6,308,431	-	-67,867,426	-	-	79,867,334
	195,688,553	22,028,975	-6,648,096	-	211,049,432	-72,646,712	-11,365,409	6,308,431	-	-77,744,933	-6,938,665	-	126,365,833

Vulamehlo Municipality

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

for the year ended 30 June 2015

	Cost / Revaluation				Accumulated Depreciation						Other movements R'000	Carrying Value R'000
	Opening Balance R'000	Additions R'000	Disposals R'000	Under Construction R'000	Closing Balance R'000	Opening Balance R'000	Depreciation R'000	Disposals R'000	Impairment loss/Reversal of Impairment loss R'000	Closing Balance R'000	Transfers R'000	
Total brought forward	195,688,553	22,028,975	-6,648,098	-	211,049,432	-72,846,712	-11,365,409	6,308,431	-	-77,744,933	-6,938,665	126,365,833
Other Assets												
Office Equipment	1,131,827	-	-	-	1,569,269	-664,508	-345,686	-	-	-	-	556,975
Furniture & Fittings	3,177,292	437,442	-	-	4,308,362	-1,135,223	-598,333	-	-	-1,010,294	-	2,577,406
Plant & Machinery	-	1,131,670	-	-	-	-	-	-	-	-1,731,555	-	-
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	1,412,387	57,000	-728,101	-	741,286	-949,515	385,750	267,348	-	-295,416	-	445,870
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	1,412,378	64,473	-	-	1,347,905	-1,063,768	302,192	-	-	-761,576	-	586,329
Computer Software (part of computer equipment)	-	-	-	-	2,388,603	-	-	-	-	-2,219,284	-	169,319
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
	7,133,884	1,690,585	-728,101	-	10,395,025	-3,813,113	-253,077	267,348	-	-6,018,125	-	4,337,900
Finance Lease Assets												
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
Total	202,802,437	23,719,560	-7,376,197	-	221,405,456	-76,459,825	-11,618,486	6,575,779	-	-83,763,058	-6,938,665	130,703,733

Vulamehlo Municipality
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2016

	Cost / Revaluation			Accumulated Depreciation			Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Disposals	
	R	R	R	R	R	R	R
Executive & Council	1,012,294	85,969	-	-13	1,098,249	-347,408	636,273
Finance & Admin	1,129,643	109,376	-	-769,949	469,070	-754,002	266,238
Planning & Development	29,092,357	-	-	-14,158	29,078,199	-13,386,330	14,733,424
Health	17,379,376	26,017,722	-	-4,054,953	39,342,145	-5,857,818	32,550,435
Community & Social Services	119,499,566	4,670,625	-	-89,352	124,080,839	-54,909,730	60,783,328
Public Safety	46,538,555	27,593,261	-	-3,038,457	71,093,360	-8,507,769	54,958,154
Sport & Recreation							
Environmental Protection							
Waste Management							
Road Transport							
Water							
Electricity							
Other							
Total	214,651,792	58,476,953	-	-7,966,882	265,161,862	-83,763,058	163,327,852

Vulamehlo Municipality

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2016

	2,015		2,015		2,016		2,016	
	Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)	
	R	R	R		R	R	R	
-	-	14,549,926	-14,549,926	Executive & Council /Mayor and council	-	-	-	-
56,002,193	56,002,193	38,488,148	17,514,045	Finance & Admin /Finance	119,217,565	103,246,612	15,970,953	
18,026,809	18,026,809	11,855,689	6,171,120	Planning & Development/Economic Development/Plan				
74,029,002	74,029,002	64,893,763	9,135,239		119,217,565	103,246,612	15,970,953	
-	-	-	-	Less: Inter-Department Charges				
74,029,002	74,029,002	64,893,763	9,135,239	Total-Municipality	119,217,565	103,246,612	15,970,953	

APPENDIX E

DETAILED SCHEDULE OF CONDITIONAL GRANTS AND RECEIPTS
FOR THE YEAR ENDED 30 JUNE 2016

SUMMARY OF UNSPENT GRANTS

DETAILS	OPENING BALANCE 01 JULY 2015	GRANT INCOME RECEIPTED	GRANT REALISED 1 JUL '15 TO 30 JUNE 2016	BALANCE AT 30 JUNE 2016	% Spent YTD
Anti - Corrupt (DTLGA - Municipal Finance)	22,541	-	-	22,541	0%
Homeowners Plothing Assistance Programme	14,905	-	-	14,905	0%
HR Systems - DLGTA	7,000	-	-	7,000	0%
Development Planning	3,354	-	-	3,354	0%
Umdumezulu Rural Housing Projects	131	-	-	131	0%
Cogta (LED Strategy Review)	7,127	-	-	7,127	0%
Integrated National Electrification Programme Grant(INEG)	-	16,000,000	16,000,000	-	100%
MSIG	-	930,000	264,268	665,732	28%
MIG	3,949,563	15,000,000	18,196,288	753,275	121%
FMG	-	1,875,000	1,875,000	-	100%
KZN Sports Grants	550,116	-	61,200	488,916	11%
Disaster	400,287	-	-	400,287	0%
Disaster Recovery	401,000	20,000,000	17,026,037	3,374,963	85%
Extended Public Works Programme	420,079	1,000,000	1,196,205	223,874	120%
LGSETA GRANT	-	9,579	-	9,579	0%
TOTAL UNSPENT GRANTS	5,776,103	54,814,579	54,618,999	5,971,683	100%

SUMMARY OF UNSPENT SUBSIDIES

DETAILS	OPENING BALANCE 01 JULY 2014	GRANT INCOME RECEIPTED	GRANT REALISED 1 JUL '15 TO 30 JUNE 2016	BALANCE AT 30 JUNE 2016
KZN Human Settlements	-	-	-	-
TOTAL UNSPENT GRANTS & SUBSIDIES	5,776,103	54,814,579	54,618,999	5,971,683